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Company

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:

RANDALL'S ISLAND FAMILY GOLF
CENTERS, INC., et al.,

Debtors.

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Chapter 11

Case Nos. 00-B-41065 (SMB)
through 00-B-41196 (SMB)

(Jointly Administered)

LIMITED OBJECTION OF NON-PRIMED PREPETITION LENDER
CROWN LIFE INSURANCE COMPANY TO
DEBTORS' MOTION FOR ORDER PURSUANT TO
SECTIONS 105, 363, 365 AND 1146 OF THE BANKRUPTCY
CODE AND BANKRUPTCY RULES 2002, 6004, 6006 AND 6007(I)(A)
AUTHORIZING AND APPROVING (i) SALE OF CERTAIN FEE-OWNED
PROPERTIES, (ii) ASSUMPTION, SALE AND ASSIGNMENT OF CERTAIN
LEASEHOLD INTERESTS, AND (iii) SALE OF PERSONAL PROPERTY,
FREE AND CLEAR OF LIENS, CLAIMS, ENCUMBRANCES, AND INTERESTS
AND EXEMPT FROM ANY STAMP, TRANSFER, RECORDING OR SIMILAR
TAX, (B) APPROVING CERTAIN SALE PROCEDURES TO BE USED IN
CONNECTION WITH SUCH SALES AND (C) RELATED RELIEF

On January 16, 2001 the Debtors filed a motion to approve the sale of certain fee-owned properties, to approve certain sale procedures and for related relief (doc. #671) (the "Sale Motion"). Crown Life Insurance Company ("Crown"), by and through its undersigned counsel, hereby objects to certain limited aspects of the Sale Motion as follows:

1. Crown is a non-primed prepetition lender to one of the Debtors, Sports Plus Cincinnati, Inc. ("Sports Plus"), and the holder of a first mortgage on the real property and a security interest in the personal property owned by Sports Plus and located at 10765 Reading Road in Cincinnati, Ohio, designated by the Debtors as Store No. 502 (the "Cincinnati Property").

2. The Sale Motion asks the Court to approve, among other things, an elaborate scheme to conduct an auction for the purpose of selling the Debtors' fee-owned properties, including the Cincinnati Property. Since the Sale Motion and the related Bidding Procedures provide - even if some or all of the Debtors' fee-owned properties are sold en masse - that each qualified bidder must separately allocate the amount being offered for each asset and also preserve the right of each mortgagee to make a credit bid, to that extent Crown does not object to the Sale Motion.*

3. Crown does object, however, to certain aspects of the Sale Motion which, by design, oversight or otherwise, arguably impair the rights afforded to Crown, as a secured lender, under the express terms of its loan documents, Ohio law and the Bankruptcy Code. For instance, under paragraph F of the Bidding Procedures (Bidding By Mortgagees), the amount of each mortgagee's credit bid purportedly is limited to the "principal and interest which is alleged to be owed under the mortgagee's note and mortgage...." In Crown's case, any such limitation would be unlawful since under the terms of Crown's note and mortgage, and pursuant to Ohio law, it also is entitled, for

* The Sale Motion refers to a Mortgagee Credit Bid Form (Exhibit E) but no such document was included in the package of materials furnished by the Debtors to Crown.

instance, to specified late charges, a prepayment premium, a reinvestment fee, delinquent real estate taxes and related penalties, and enforcement expenses including reasonable attorneys fees. To the extent Crown elects to make a credit bid, it intends to quantify and document its entitlement to all these amounts at the required time. In the meantime, however, Crown believes it is appropriate to register its objection to any attempt to limit the total amount to which it is entitled under its loan documents and applicable law.

4. The Sale Motion contemplates a Break-Up Fee Program but does not also provide, as is customary, for the overbidding to begin at a level which would, at the minimum, effectively reimburse the Debtor for such sale expenses. To the extent the Court approves the Break-Up Fee Program, or any variation thereof, an appropriate minimum overbid requirement certainly should be included in the program. Moreover, in any event, any break-up fees or other sale expenses should not be chargeable to a mortgagee who makes a successful credit bid.

5. The Debtors understandably seek in the Sale Motion to require mortgagees and landlords to provide the Debtors prior to the Auction with certain financial information since, according to the Debtors, "without such information, the Debtors simply will be unable to evaluate any offers received for Leases, or credit bids by landlords or by mortgagees." Sale Motion at ¶ 16. Similarly, a mortgagee's determination concerning whether to make a credit bid and, if so, in what amount, in part will depend on the anticipated return on its investment. Accordingly, the Debtors should be ordered by the Court to use their best efforts to furnish Crown prior to the deadline for submitting a Mortgagee Credit Bid Form basic financial and operating information concerning the Cincinnati Property including, without limitation, a current cash flow statement. Such a reciprocal

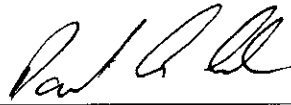
exchange of information between the Debtors and Crown is only fair and, therefore, should be made part of the proposed auction process.

6. Crown also objects to Paragraph 21 of the Sale Motion to the extent it contemplates that any proceeds from the sale of the Cincinnati Property are not paid to Crown - to the extent of its secured claim - at the closing of the sale. There is no legitimate reason why Crown should not receive these funds as soon as they are available.

7. Crown also objects to paragraph 17 of the proposed Order granting the Sale Motion. That paragraph, in part, authorizes the "Debtors, at or before the Auction, in consultation with the Committee and Chase, [to] impose such other terms and conditions as they determine to be in the best interests of the Debtors, their estates and creditors." This blank authorization generally is inappropriate and, in any event, cannot and should not be used to limit, impair or otherwise diminish in any respects Crown's rights as a secured creditor under Ohio or federal bankruptcy law.

8. Given the extraordinary time limitations which the Debtor seek to impose on this process, Crown reserves the right to raise additional objections, and to join in any objections which other creditors or parties in interest may raise, in response to the Sale Motion. Crown also requests that it be afforded the benefit of any relief which the Bankruptcy Court may award in response to an objection filed by any other similarly-situated creditor.

Respectfully submitted,



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CERTIFICATE OF SERVICE

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